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15 January 1964

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# CENTRAL INTELLIGENCE BULLETIN



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**\*France-USSR:** France is considering credit concessions to the USSR.

A Finance Ministry spokesman has told the US Embassy that Paris is "giving much attention" to extending credits for more than five years to the USSR in preparation for Finance Minister Giscard d'Estaing's late January visit to Moscow. He argued that if the British extend seven-year credits, France may be forced to do the same.

Other Finance Ministry officials have stated that France may seek to balance its trade surplus with the USSR by extending more lenient credits. On 7 January, Prime Minister Pompidou hinted publicly that France may find ways of circumventing the NATO position on long-term credits.

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USSR: The growth rate of the Soviet economy in 1963 was the lowest since World War II, according to data just released in the Soviet press.

The data implied that there was an increase in 1963 over 1962 of only three percent in "national income"--the principal Soviet measurement of overall economic performance.

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In another commentary, Moscow claimed that its 1963 agricultural output was 50 percent above the 1952 level. However, when related to other Soviet data, this claim is, in fact, an admission that 1963 was the worst year for agriculture since 1957. It also indicates that the total output in 1963 fell about nine percent below the 1962 level.

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South Vietnam: Mutual suspicion seems to be gradually developing between the military government and student political organizations.]

[The students seem to be particularly critical of the regime on the ground that it lacks dynamism and has not pressed revolutionary changes. On 13 January, student demonstrators carried banners denouncing Premier Tho, whom they tend to associate with ineffective government, as well as with the persistence of practices of the Diem regime. A stepped-up student campaign to force Tho's removal may be in the offing.]

[The students developed a taste for political action through their support of the Buddhists in the latter days of the Diem regime, and they have continued to form a variety of groupings to keep their views in the public eye. Junta leader General Minh, however, has said he hopes to channel their energy into "constructive" areas, such as a domestic peace corps undertaking rural development projects.]

[The students resent efforts to control them. They are even irritated by suggestions that some of the anti-neutralist student demonstrations held recently in Saigon were arranged by the government rather than organized by the students themselves. One student leader of the 20,000-member National Students' Association complains that various generals are keeping students divided by individually proselytizing among student groups.]

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India: The wave of Hindu-Moslem violence in Calcutta appears to have receded following the imposition of near martial law on 12 January, but this improvement may be only temporary.

A 24-hour general strike has been called by Hindu extremists for today. Organized looting by the extremists and by criminal elements, and isolated acts of personal violence against the minority Muslim community are likely to continue, especially in view of renewed anti-Hindu rioting in East Pakistan.

Coming at a time when Nehru's illness has raised the question of the continuity of India's leadership, the rioting in Calcutta points up the passions that can be unleashed in that country if authority appears to falter.

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Canada - Communist China: [A senior Canadian official has confirmed that External Affairs Minister Martin has approved the effort of a Toronto newspaper to reopen its office in Peiping, and has agreed to extend reciprocity to the New China News Agency in Canada.]

[In his 11 January press conference Martin made reference to the Chinese Communist recognition question, stating that he could say no more about it "at the moment." Commenting on this statement, the official insisted that as far as he knows, Martin "has nothing up his sleeve" on the recognition issue, and that no move by Ottawa in the direction of recognition is imminent.]

[It is possible that the subject will be discussed by Prime Minister Pearson and General de Gaulle during their meeting in Paris which begins today.]

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Yemen: The recent reorganization of the Yemeni republican regime substantially strengthens Egyptian control and appears to be a first step toward the establishment of a military government.

Two councils have been established under the new arrangement announced on 6 January by President Sallal. A National Security Council is to control military and security matters, and a Political Bureau is to concern itself with political and legislative affairs.

The National Security Council has been granted broad authority and will probably emerge as the primary power center. The three top Egyptian military officers in Yemen are included on this council.

The membership of the Political Bureau includes a number of independent Yemeni nationalists, but the bureau apparently is expected merely to rubber-stamp decisions reached by Sallal, Vice President Amri, and the Egyptians.

Yemenis generally are reported to be disappointed with the new structure. The formal inclusion of Egyptians in the Security Council will probably increase Yemeni fears of being ruled as an Egyptian colony. Moreover, important tribal leaders were not given a role in government affairs. Although this may be remedied, the US minister in Taiz comments that the net effect has been to narrow rather than broaden the base of the government.

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North Korea - South Korea - US: The downing of a South Korean military aircraft inside North Korean territory on 14 January probably will complicate efforts to secure release of two US helicopter pilots held by Pyongyang since May. North Korea is playing up the latest incident as evidence of continuing US - South Korean aggression. The North Koreans have insisted on the cessation of "aggressive acts" as the condition for the release of the two Americans.

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Cyprus: Shooting incidents are reported continuing on the island on the eve of the five-party conference scheduled to open in London today. UN Secretary General Thant has decided not to send a special representative to Cyprus at this time, despite an apparent agreement of all parties for such a move. Greece continues to seek assistance from its NATO allies in pressing Turkey to withdraw to home ports some of the naval vessels massed at Iskenderun.

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\*Ecuador: Former President Arosemena's plot against the junta seems to be gathering headway.

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[redacted] Arosemena expects to launch a general campaign of unrest in the Guayaquil area, including a strike which will be tacitly encouraged by junta member Colonel Freile. Arosemena also is reported to have gained the cooperation of two small leftist parties and of the regular Moscow-line Communist party and its labor organization.

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